

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Lansing Building Authority		County Ingham	
Audit Date 6/30/05		Opinion Date 11/9/05		Date Accountant Report Submitted to State: 1/18/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

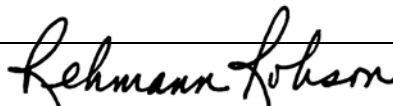
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 			Date 1/18/06	

**CITY OF LANSING  
BUILDING AUTHORITY**

**Basic Financial Statements**

**For The Year Ended  
June 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# CITY OF LANSING BUILDING AUTHORITY

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



## **INDEPENDENT AUDITORS' REPORT**

November 9, 2005

To the Commissioners of the  
City of Lansing Building Authority Board  
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the ***City of Lansing Building Authority, a component unit of the City of Lansing***, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lansing, Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Lansing Building Authority as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **Management's Discussion and Analysis**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lansing Building Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements, taken as a whole.

### **Using the Annual Financial Report**

This annual report consists of financial statements prepared in accordance with generally accepted accounting principles as presented by the Government Accounting Standards Board ("GASB"). The Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an Amendment of GASB Statements No. 21 and No. 34* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* for the year ended June 30, 2002. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments.

### **Financial Highlights**

The assets of the Authority exceeded its liabilities at the close of the year by \$4,075,904.

At year end, cash and cash equivalents totaled \$440,288, a net decrease of \$10,393,494 from the previous year.

The Authority's total general obligation bonded debt increased by \$1,164,260. The increase in bonded debt is attributed to the total current year amortization of bond discount of \$2,023,398, of which the 1990 capital appreciation bonds amortization is \$1,992,509. The Authority received an additional \$350 on a loan from the Michigan Economic Development Corporation ("MEDC") to go towards construction of a new parking ramp.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (a) government-wide financial statements, (b) fund financial statements, and (c) notes to the financial statements. This report also contains the Management's Discussion and Analysis, which is not a required part of the basic financial statements, but is supplementary information.

### **Government-Wide Financial Statements**

The government-wide financial statements provide a perspective of the Authority as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Authority maintains one governmental fund. This is a debt service fund for the financing of the firing range. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

### ***Proprietary Funds***

The Authority maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority uses an enterprise fund to account for the financing of golf and parking improvements. Proprietary funds provide information on the same basis as the government-wide statements.

The Lansing Building Authority was established to issue debt and provide financing for several different capital projects. The Authority has entered into lease contracts with the City of Lansing and its Tax Increment Finance Authority, to provide all funds necessary to pay for current and future debt service.

### **Condensed Statements of Net Assets**

	<b><u>2005</u></b>	<b><u>2004</u></b>
Assets		
Current	\$ 4,070,956	\$ 12,588,925
Long-term	<u>68,813,977</u>	<u>60,681,697</u>
Total assets	<u>72,884,933</u>	<u>73,270,622</u>
Liabilities		
Current	5,842,270	3,370,766
Long-term	<u>62,966,759</u>	<u>66,247,499</u>
Total liabilities	<u>68,809,029</u>	<u>69,618,265</u>
Net assets - unrestricted	<u>\$ 4,075,904</u>	<u>\$ 3,652,357</u>



### Condensed Statements of Activities

	<u>2005</u>	<u>2004</u>
Program revenues:		
Charges for services	\$ 4,095,846	\$ 3,978,961
General revenues:		
Interest	<u>58,232</u>	<u>109,224</u>
Total revenues	<u>4,154,078</u>	<u>4,088,185</u>
Program expenses by function		
Governmental activities:		
Interest on long-term debt	84,288	81,648
Business-type activities:		
Parking	3,592,757	3,554,583
Golf	<u>53,486</u>	<u>55,914</u>
Total expenses	<u>3,730,531</u>	<u>3,692,145</u>
Change in net assets	423,547	396,040
Beginning net assets	<u>3,652,357</u>	<u>3,256,317</u>
Ending net assets	<u><u>\$ 4,075,904</u></u>	<u><u>\$ 3,652,357</u></u>

#### **Fund Analysis**

The fund based statements include statements for enterprise funds that are identical to the government-wide statements for business-type activities. On the other hand, the governmental fund statements are presented using modified accrual accounting. The governmental fund statements illustrate with a fund balance of close to zero, that future debt service requirements will utilize lease payments secured by the City of Lansing and budgeted within the City of Lansing's General fund.

#### **Financial Contact**

The Authority's financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about the report or need additional financial information, contact Chairperson, Lansing Building Authority, 124 W. Michigan Ave., Lansing, Michigan 48933.

# **Basic Financial Statements**

# **Government-wide Financial Statements**

# City of Lansing Building Authority

## Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash and investments	\$ -	\$ 440,288	\$ 440,288
Receivables	7,090	355,315	362,405
Bond issue costs	-	416,702	416,702
Leases receivable	1,685,000	69,980,538	71,665,538
<b>Total assets</b>	<b>1,692,090</b>	<b>71,192,843</b>	<b>72,884,933</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	6,690	370,580	377,270
Long-term liabilities:			
Due within one year	95,000	5,370,000	5,465,000
Due in more than one year	1,590,000	61,376,759	62,966,759
<b>Total liabilities</b>	<b>1,691,690</b>	<b>67,117,339</b>	<b>68,809,029</b>
<b>Net assets</b>			
Unrestricted	\$ 400	\$ 4,075,504	\$ 4,075,904

The accompanying notes are an integral part of the financial statements.

# City of Lansing Building Authority

Statement of Activities  
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	
<b>Primary government</b>			
Governmental activities:			
Interest on long-term debt	\$ 84,288	\$ 84,688	\$ 400
Business-type activities:			
Municipal parking system	3,592,757	3,962,329	369,572
Golf	53,486	48,829	(4,657)
Total business-type activities	3,646,243	4,011,158	364,915
<b>Total primary government</b>	<u>\$ 3,730,531</u>	<u>\$ 4,095,846</u>	<u>\$ 365,315</u>

Continued...

**City of Lansing Building Authority**  
Statement of Activities (concluded)  
For the Year Ended June 30, 2005

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ 400	\$ 364,915	\$ 365,315
<b>General revenues</b>			
Unrestricted investment earnings	-	58,232	58,232
Change in net assets	400	423,147	423,547
Net assets, beginning of year, as restated	-	3,652,357	3,652,357
<b>Net assets, end of year</b>	<u>\$ 400</u>	<u>\$ 4,075,504</u>	<u>\$ 4,075,904</u>

The accompanying notes are an integral part of the financial statements.

## **Fund Financial Statements**

**City of Lansing Building Authority**  
Balance Sheet - Governmental Funds  
June 30, 2005

	<b><u>1998 Debt Service</u></b>
 <b><u>Assets</u></b>	
<b>Assets</b>	
Due from other funds	\$       400
Leases receivable	<u>1,685,000</u>
 <b>Total assets</b>	 <b><u><u>\$   1,685,400</u></u></b>
 <b><u>Liabilities and Fund Balances</u></b>	
 <b>Liabilities</b>	
Deferred revenues	\$   1,685,000
 <b>Fund balances</b>	
Unreserved, undesignated	 <u>400</u>
 <b>Total liabilities     and fund balances</b>	 <b><u><u>\$   1,685,400</u></u></b>

The accompanying notes are an integral part of the financial statements.



**City of Lansing Building Authority**  
Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Assets of  
Governmental Activities on the Statement of Net Assets  
June 30, 2005

<b>Fund balances - total governmental funds</b>	\$ 400
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred leases receivable	1,685,000
Add - long-term accounts receivable	6,690

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(1,685,000)
Deduct - accrued interest on bonds payable	<u>(6,690)</u>

<b>Net assets of governmental activities</b>	<u><u>\$ 400</u></u>
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The accompanying notes are an integral part of the financial statements.

**City of Lansing Building Authority**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<b>1998 Debt Service</b>
	<hr/>
<b>Revenues</b>	
Contributions from City of Lansing	\$ 175,025
	<hr/>
<b>Expenditures</b>	
Debt service:	
Principal payments	90,000
Interest	84,625
	<hr/>
Total expenditures	174,625
	<hr/>
Net change in fund balances	400
Fund balances, beginning of year	<hr/> -
<b>Fund balances, end of year</b>	<hr/> <hr/> \$ 400

The accompanying notes are an integral part of the financial statements.

**City of Lansing Building Authority**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$ 400
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.	
Deduct - change in long-term receivables	(90,337)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term liabilities	90,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in accrued interest payable on long-term liabilities	337
<b>Change in net assets of governmental activities</b>	<u><u>\$ 400</u></u>

The accompanying notes are an integral part of the financial statements.

**City of Lansing Building Authority**  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Municipal Parking System</b>	<b>Golf</b>	<b>Totals</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 440,288	\$ -	\$ 440,288
Receivables:			
Accounts, net	31	-	31
Accrued interest	340,892	11,958	352,850
Due from City	2,434	-	2,434
Leases receivable, current	3,114,354	58,910	3,173,264
Total current assets	<u>3,897,999</u>	<u>70,868</u>	<u>3,968,867</u>
Noncurrent assets:			
Leases receivable	65,879,127	928,147	66,807,274
Bond issue costs	416,702	-	416,702
Total non-current assets	<u>66,295,829</u>	<u>928,147</u>	<u>67,223,976</u>
Total assets	<u>70,193,828</u>	<u>999,015</u>	<u>71,192,843</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	67,712	-	67,712
Accrued interest payable	156,745	12,928	169,673
Due to City	133,195	-	133,195
Current portion of long-term debt	5,315,000	55,000	5,370,000
Total current liabilities	<u>5,672,652</u>	<u>67,928</u>	<u>5,740,580</u>
Noncurrent liabilities:			
Long-term debt	<u>60,487,458</u>	<u>889,301</u>	<u>61,376,759</u>
Total liabilities	<u>66,160,110</u>	<u>957,229</u>	<u>67,117,339</u>
<b>Net assets</b>			
Unrestricted	<u>4,033,718</u>	<u>41,786</u>	<u>4,075,504</u>
Total net assets	<u>\$ 4,033,718</u>	<u>\$ 41,786</u>	<u>\$ 4,075,504</u>

The accompanying notes are an integral part of the financial statements.

**City of Lansing Building Authority**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2005

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Municipal Parking System</b>	<b>Golf</b>	<b>Totals</b>
<b>Operating revenues</b>			
Lease revenue	\$ 3,958,357	\$ 48,829	\$ 4,007,186
Charges for services	3,972	-	3,972
Total operating revenues	3,962,329	48,829	4,011,158
<b>Operating expenses</b>			
Interest expense and fees	3,589,488	53,486	3,642,974
Other expenses	3,269	-	3,269
Total operating expenses	3,592,757	53,486	3,646,243
Operating income (loss)	369,572	(4,657)	364,915
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	58,232	-	58,232
Change in net assets	427,804	(4,657)	423,147
Net assets, beginning of year	3,605,914	46,443	3,652,357
<b>Net assets, end of year</b>	<b>\$ 4,033,718</b>	<b>\$ 41,786</b>	<b>\$ 4,075,504</b>

The accompanying notes are an integral part of the financial statements.

**City of Lansing Building Authority**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Municipal Parking System</b>	<b>Golf</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash received from City	\$ 2,844,290	\$ 49,480	\$ 2,893,770
Cash received from customers	3,982	-	3,982
Interest and fees paid	(1,373,923)	(53,210)	(1,427,133)
Payments to vendors	(870,900)	-	(870,900)
Net cash provided by (used for) operating activities	603,449	(3,730)	599,719
<b>Cash flows from capital and related financing activities</b>			
Loan proceeds	350	-	350
Acquisition and construction of leased assets	(11,404,313)	-	(11,404,313)
Principal paid on general obligation bonds	(880,000)	(50,000)	(930,000)
Payments received on capital lease	1,228,789	53,730	1,282,519
Net cash provided by (used for) capital and related financing activities	(11,055,174)	3,730	(11,051,444)
<b>Cash flows from investing activities</b>			
Interest received	58,232	-	58,232
Net increase (decrease) in cash and cash equivalents	(10,393,493)	-	(10,393,493)
Cash and cash equivalents, beginning of year	10,833,781	-	10,833,781
<b>Cash and cash equivalents, end of year</b>	<b>\$ 440,288</b>	<b>\$ -</b>	<b>\$ 440,288</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
<b>Operating income (loss)</b>	<b>\$ 369,572</b>	<b>\$ (4,657)</b>	<b>\$ 364,915</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Amortization of bond issuance costs	36,429	-	36,429
Amortization of bond issuance discounts	2,022,521	876	2,023,397
Amortization of refunding and defeasance loss	160,512	-	160,512
Change in:			
Accounts receivable	10	-	10
Accrued interest receivable	(10,602)	651	(9,951)
Due from City	(2,434)	-	(2,434)
Accounts payable	(867,631)	-	(867,631)
Accrued interest payable	(3,897)	(600)	(4,497)
Due to City	(1,101,031)	-	(1,101,031)
Total adjustments	233,877	927	234,804
Net cash provided by (used for) operating activities	<b>\$ 603,449</b>	<b>\$ (3,730)</b>	<b>\$ 599,719</b>

The accompanying notes are an integral part of the financial statements.

## **Notes to Basic Financial Statements**

# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lansing Building Authority (the “Authority”) was established pursuant to Act 31, Public Acts of Michigan, as amended. The Authority has entered into various lease agreements with the City of Lansing (the “City”) covering buildings, parking lots, recreation facilities, and stadiums constructed by the Authority.

#### 1-A. Reporting Entity

These financial statements represent the financial position and the results of operations of a blended component unit of the City and are an integral part of that reporting entity.

#### 1-B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the authority. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### 1-C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental fund:

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental activities.

The Authority reports the following major proprietary funds:

The *municipal parking system enterprise fund* accounts for the debt financing activities of the City's municipal parking system.

The *golf enterprise fund* accounts for the debt financing activities of the City's golf courses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standard Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity, if any, has been eliminated from the government-wide financial statements. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### **1-D. Assets, liabilities and equity**

#### **Cash and cash equivalents/investments**

The Authority's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

#### **Long-term Obligations**

In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **NOTE 2 – DETAILED NOTES ON ALL FUNDS**

### **2-A. Cash and cash equivalents**

At year-end, the carrying amount of the Authority's cash and cash equivalents was \$440,288. Because it is infeasible to allocate risk to individual component units, aggregate cash and investment categorizations are presented in the City's basic financial statements.

# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### 2-B. Receivables

Receivables as of year-end are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Accounts receivable	\$ -	\$ 31
Due from City of Lansing	400	2,434
Accrued interest receivable	<u>6,690</u>	<u>352,850</u>
	<b><u>\$ 7,090</u></b>	<b><u>\$ 355,315</u></b>

### 2-C. Payables

Payables as of year-end are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Accounts payable	\$ -	\$ 67,712
Due to City of Lansing	-	133,195
Accrued interest payable	<u>6,690</u>	<u>169,673</u>
	<b><u>\$ 6,690</u></b>	<b><u>\$ 370,580</u></b>

### 2-D. Leases receivable

The Authority has entered into various lease agreements with the City for buildings, parking lots, recreation facilities, and stadiums acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the City or other government.

# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

Future minimum lease payments to be received under these lease agreements are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2006	\$ 175,275	\$ 7,301,299
2007	176,000	7,555,503
2008	176,500	7,579,983
2009	181,775	7,598,370
2010	181,600	7,614,653
Thereafter	1,417,600	70,253,587
Total minimum lease payments	2,308,750	107,903,395
Less: amount representing interest	(623,750)	(37,922,857)
	<b>\$ 1,685,000</b>	<b>\$ 69,980,538</b>

### 2-E. Long-term debt

*General obligation bonds.* The Authority issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$113,010,000. During the year, no new general obligation bonds were issued.

# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 to 25-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1998 Limited tax bond	4.00% - 5.00%	<u><b>\$ 1,685,000</b></u>
<b>Business-type activities</b>		
1986 Limited tax bond	2.50%	\$ 70,000
1990 Limited tax bond	0.00%	41,410,000
1995 Limited tax bond	5.00%	15,930,000
1996 Limited tax bond	2.50%	950,000
2003 Building authority tax exempt bond	6.63%	10,340,000
2003 Building authority taxable bond	2.50%	<u>8,660,000</u>
		<u><b>\$77,360,000</b></u>

*Loan payable.* The Authority has a loan payable due to the Michigan Economic Development Corporation in the amount of \$4,180,000 for business-type activities. The original amount of the loan was \$4,180,000, of which \$350 was drawn in the current year.

Annual debt service requirements to maturity for general obligation bonds and loans payable are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 95,000	\$ 80,275	\$ 175,275	\$ 5,370,000	\$ 1,931,299	\$ 7,301,299
2007	100,000	76,000	176,000	5,679,472	1,876,031	7,555,503
2008	105,000	71,500	176,500	5,596,239	1,983,744	7,579,983
2009	115,000	66,775	181,775	5,684,280	1,914,090	7,598,370
2010	120,000	61,600	181,600	5,777,452	1,837,201	7,614,653
2011-2015	675,000	219,850	894,850	30,299,773	7,799,325	38,099,099
2016-2020	475,000	47,750	522,750	10,412,015	4,939,403	15,351,418
2021-2025	-	-	-	5,613,025	2,793,813	8,406,839
2026-2030	-	-	-	5,863,332	1,096,071	6,959,403
2031-2035	-	-	-	1,014,745	182,612	1,197,358
2036	-	-	-	229,666	9,805	239,472
	<u><b>\$ 1,685,000</b></u>	<u><b>\$ 623,750</b></u>	<u><b>\$ 2,308,750</b></u>	<u><b>\$ 81,540,000</b></u>	<u><b>\$ 26,363,395</b></u>	<u><b>\$ 107,903,395</b></u>

# CITY OF LANSING BUILDING AUTHORITY

## Notes To Basic Financial Statements

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
<b>Governmental activities:</b>					
Bonds payable	<b><u>\$ 1,775,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 90,000</u></b>	<b><u>\$ 1,685,000</u></b>	<b><u>\$ 95,000</u></b>
<b>Business-type activities:</b>					
Bonds payable	\$ 78,290,000	\$ -	\$ 930,000	\$ 77,360,000	\$ 5,370,000
Deferred amounts for:					
Issuance discounts	(15,211,521)	-	(2,023,397)	(13,188,124)	-
Refunding loss	(1,765,629)	-	(160,512)	(1,605,117)	-
Loan payable	<u>4,179,650</u>	<u>350</u>	<u>-</u>	<u>4,180,000</u>	<u>-</u>
	<b><u>\$ 65,492,500</u></b>	<b><u>\$ 350</u></b>	<b><u>\$(1,253,909)</u></b>	<b><u>\$ 66,746,759</u></b>	<b><u>\$ 5,370,000</u></b>

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 9, 2005

To the Commissioners of the  
City of Lansing Building Authority Board  
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the ***City of Lansing Building Authority, a component unit of the City of Lansing***, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Lansing Building Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Lansing Building Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Commission, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.